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GWACS Armory, LLC



CAV-15 MK III



CAV-15 MK 4

Financing Executive Summary

April 2018 – Confidential Discussion Materials

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EXECUTIVE SUMMARY

- GWACS Armory, LLC (GAL) is a Federally licensed manufacturer and import/exporter of firearms. GAL manufactures and sells a Polymer semi-automatic AR-15 lower receiver known as the CAV-15 MK II as well as a fully automatic version for military and law enforcement customers. In 2012 GAL purchased the intellectual property, tooling, injection molding and vibration welding equipment to manufacture the CAV-15 MK II, an AR-15 Lower Receiver with a fixed stock. GAL moved the manufacturing equipment to Tulsa, OK in early 2012 spending approximately nine months getting manufacturing up and running; the CAV-15 MK II had not been in production since 2009. With only a small amount of Facebook advertising (banned for the last 3 years) GWACS currently has over 100,000 followers on Facebook and has manufactured over several thousand GWACS CAV-15 MK II lower receivers (mold is end of life).
- GAL has spent approximately two years designing the next generation lowers and is currently seeking financing and/or investment of \$500,000 for equipment, tools/molds and commercial deployment for the next generation CAV-15 MK III (replacement for current generation which includes customers most requested modifications) and CAV-15 MK 4 which is the new adjustable stock platform based on the successful core design of the CAV-15 MK II. Both the CAV-15 MK 4 and CAV-15 MK III benefit tremendously from advancements in modeling and injection mold tooling allowing for dramatically lower cost production and superior strength and aesthetics. The CAV-15 MK 4 is an entirely new generation of the polymer AR-15 platform with an integrated collapsible stock.
- GAL's immediate focus is to finalize the development and have the new tooling built for the CAV-15 MK 4, CAV-15 MK III. We have completed an 18 month design and development cycle for the new models. Manufacturing process for the injection mold tooling will take approximately ten weeks.

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INTRODUCTION

GAL is an engineering and firearms manufacturing innovator of polymer AR-15's in the commercial marketplace with an excellent reputation for quality products and superior customer service.

The CAV-15 MK 4 and CAV-15 MK III will be the premier lightweight durable polymer AR-15 lower receivers with a significant cost advantage over comparable systems.

More than one million AR-15's were sold in 2012 and annual sales are estimated to increase 7 – 10% each year. Sales of AR-15 rifles and accessories are estimated to be between \$1.25 and \$2.0 billion annually.

GAL has established a dominate position within the AR-15 market segment for durable lightweight polymer solutions.

Use of funds:

- Investment in tooling/molds for both the CAV-15 MK 4 and CAV-15 MK III and additional manufacturing equipment to allow us to significantly reduce production cost, re-enter the market as a high quality, low cost leader and provide "low volume variance manufacturing" for dealers and distributors wanting their own branded CAV-15 further increasing market share while maintaining excellent margins throughout the product line.
- Aggressive marketing campaign to increase brand recognition and sustain loyalty with current and future customers.

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HIGHLIGHTS

- Technology leader for strength and durability in the lightweight AR-15 market
- Low cost producer and sales leader with excellent margins
- Multiple leading edge products
 - ✓ Adjustable Stock CAV-15 MK 4 (New to Market)
 - ✓ Fixed Stock CAV-15 MK III (Improved CAV-15 MK II with customer driven feedback and requests)
- Multiple Profitable Markets
 - ✓ Commercial markets
 - ✓ OEM
 - ✓ Law Enforcement Markets
 - ✓ Foreign Markets

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CAV-15 MK 4

The CAV-15 MK 4 is the next generation polymer AR-15 lower which includes the most requested feature, an ***integrated adjustable stock AR-15 platform with multiple butt stocks available*** offering significant advantages in the AR-15 marketplace in form, function, quality and price.

Form -

- Latest injection molding process with exceptional fit and finish
- Multiple color options – Standard Black, FDE, Coyote Tan, O.D. Green and virtually any other color as well as factory Hydro-Coating
- Light Weight Polymer design - 1lb 2 oz. stripped (includes adjustable stock) and 1lb 12 oz. populated and ready for an upper receiver.

Function -

- Fully-featured, adjustable butt stock with a modular design that offers the stability of a fixed stock with consistent cheek weld in any position and eight-position length-of-pull (LOP) adjustment with an integral preset system allowing direct access to a preferred position for all size shooters and shooting styles.
- Based on the standard AR-15/M4 platform
- Integrated aluminum buffer tube
- Same strength and stability as a fixed stock with a consistent cheek weld in any position maintaining comfort and target consistency.
- Integrated single point sling mount(s)
- Larger integrated trigger guard for gloved hand operation

Quality -

- Limited Lifetime Warranty – Unique in the industry.
 - 1st Year free replacement on material/manufacturing defects
 - After first year there is a \$35 fee for replacement

MSRP Pricing – CAV-15 MK 4

- Stripped MSRP Price of \$179.00 (stripped lower receiver includes buffer tube, stock, pivot and take down pins, trigger guard)
- Fully Populated Retail Price \$259.00

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CAV-15 MK III

The CAV-15 MK III receiver offers significant functional and cosmetic improvements over the current CAV-15 MK II. GWACS Armory worked with existing customers of the CAV-15 MK II to incorporate functional and cosmetic improvements and the most desired features into the new CAV-15 MK III while lowering the MSRP considerably.

Form -

- Latest injection molding process with exceptional fit and finish
- Multiple color options – Standard Black, FDE, Coyote Tan, O.D. Green and virtually any other color as well as factory Hydro-Coating
- Light Weight Polymer design - 1lb 3oz. stripped and 1lb 12.3oz. populated and ready for an upper receiver.

Function -

- Based on the original M16A2 platform and current standard AR-15 platform
- Integrated ribbed buffer tube provides greater reliable buffer operation in dirty environments
- Integrated single point sling mount(s)
- Larger integrated trigger guard for gloved hand operation

Quality -

- Limited Lifetime Warranty
 - 1st Year free replacement on material/manufacturing defects
 - After first year there is a \$35 fee for replacement

MSRP Pricing – CAV-15 MK III

- Stripped Retail Price \$149.00 (stripped lower receiver includes buffer tube, stock, pivot and take down pins, trigger guard)
- Fully Populated Retail Price \$229.00

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LOW COST PRODUCER AND SALES LEADERSHIP STRATEGY

- Low Cost Sales Leader – MSRP at least 30% lower than Colt/Bushmaster comparably equipped. GAL low cost sales strategy will attract additional customers into the AR-15 market which is projected to see well over one million rifles sold in 2018.
- Low cost of production and high level of quality enables GAL to sell well below average industry prices penetrating the larger market while maintaining attractive profitability.
- Comparative Cost of Goods Sold:
 - GWACS CAV-15 MK 4 - Total material cost per lower receiver is approximately \$19.50 and can be produced at a rate of 30 units per hour per machine.
 - Colt/Bushmaster – Total cost of forgings and materials for a comparable lower receiver to the CAV-15 MK 4 is over \$100 with a production rate of approximately 5 – 8 per hour per lower receiver per machine.
- Marketing, advertising and sales:
 - GAL will have four channels to market.
 - Direct Retail Sales –Online/Storefront
 - Dealer Sales – (Currently have 127 active dealers)
 - Distribution Sales
 - Foreign Sales
 - Direct and through Import/Export Brokers

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CAV-15 MK 4



- \$179.99
- Fixed cheek well
- Combat glove trigger guard
- 1.3 lbs lighter
- Adjustable pistol grip with attachments



- Comparable Stripped Lower \$266.82 with parts from Brownell's

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COMPETITIVE COMPARISON

	Typical Aluminum Comparably Configured	GWACS - CAV-15 MK III and CAV-15 MK 4 (Polymer - Integrated Buffer Tube)
Price (Populated Lower)	\$266	\$149 MK III \$179 MK 4
Weight	2lbs 5.3oz	1lb 3.7oz MK III 1lb 3.2oz MK 4
Adjustable Stock	Yes	CAV-15 MK III - Fixed CAV-15 MK 4 - Yes
Color(s)	Black	Primary - Black, Flat Dark Earth, OD Green, Coyote Tan Specialty - Zombie Green, Pink, Purple (Virtually any color can be matched)
Corrosion Resistance	Moderate Resistance	High Resistance
Durability - Flex	Metal Stays Bent	Designed to Flex (CAV-15 MK II has been run over by a truck and still functions today)
Banned in which States	NY, CT, NJ, CA and MA	CAV-15 MK III - NY CAV-15 MK 4 NY, CT, NJ, CA and MA
Full Auto	Yes	Yes
Manufacturability	- Low Rate CNC Machine - Dependent on 3 rd Party Forgings (Billet Lowers 3X the Cost)	- High Rate - Fully Manufactured by GWACS Armory in Tulsa, OK
Production Costs	High	Low

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STRENGTHS, WEAKNESS AND OPPORTUNITY

- **Strengths**
 - Management team with solid production, development and arms sales experience
 - Proven product already successful in the market
 - Great reputation for quality product and Customer Support/Service
 - Relationships within the gun industry – Brownells, RSR Group, KE Arms, Faxon Armory, Falcon Industries, JSE and more
 - 127 current certified stocking dealers and growing
- **Weakness**
 - Resources and equipment
 - Small buying power for third party items
 - Single product (CAV-15 MK II)
 - Very little Marketing and Advertising
- **Opportunity**
 - Market has migrated to custom AR-15's where customers want choices in colors.
 - Glock and the CAV-15 MK II have "broken the glass ceiling" for polymer acceptance
 - The CAV-15 MK III and CAV-15 MK 4 low production costs allow for large margins while enabling GWACS Armory to become the dominate low cost manufacturer in the AR-15 marketplace
 - The projected AR-15 market continues to see healthy growth each year
 - Typical AR-15 owner has more than one and intends to buy more

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PROJECTED FINANCIAL PROJECTION HIGHLIGHTS

For the purposes of these forward looking projections we focused on sales of the CAV-15 MK 4 and CAV-15 MK III to commercial markets and we have not included the large foreign markets. GAL projections are partially based on feedback from direct discussions with dealers and manufacturers.

	Projections ¹				
	Year 1	Year 2	Year 3	Year 4	Year 5
Product Sales	\$1,873,286	\$2,373,700	\$2,951,123	\$3,643,332	\$4,504,036
Net income Before Tax (loss)	\$1,014,034	\$783,668	\$1,077,952	\$1,459,534	\$1,904,689

¹We believe the above projections are conservative with approximately 50% of the volume made up by Brownell's projected sales of lowers GWACS will manufacture under variance that are marked "Brownell's - Model WWSD" (CAV-15 MK III) as well as Brownell's will be a dealer for the GWACS CAV 15 MK III and GWACS CAV-15 MK 4 lower receivers.

Use of Funds	
Equipment, Tooling, Hardware and Software	\$275,500
Marketing, Product Development, Legal and Operating Capital and Reserve	\$60,000
Operating Capital	\$164,500
Total Use of Cash	\$500,000

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TERMS OF RAISE

Investment – \$500,000: 10% GWACS Armory Equity
Accelerated Return: \$10 per lower sold until investor(s) have received a minimum of \$650,000 or maximum of \$1,000,000 in the first 36 month of sales.

Return on \$500,000 Investment ¹						
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Return
Product Sales (\$10 Per Lower)	\$ 169,600	\$ 217,000	\$ 269,875	\$ -	\$ -	\$ 656,475
Dividend – 10% Equity	\$ -	\$ 23,510	\$ 32,339	\$ 43,786	\$ 57,141	\$ 156,775
Annual Total	\$ 169,600	\$ 240,510	\$ 302,214	\$ 43,786	\$ 57,141	\$ 813,250

¹We believe the above projections are conservative with approximately 50% of the volume made up by Brownell’s projected sales of lowers GWACS will manufacture under variance that are marked “Brownell’s - Model WWSD” (CAV-15 MK III) and Brownell’s will also be a dealer for the GWACS CAV 15 MK III and GWACS CAV-15 MK 4 lower receivers.

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EXISTING PRODUCTS



GWACS CAV-15 MK II – Tactical A4 Quad

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NEW PRODUCT RENDERINGS



CAV-15MK 4
(Flat Dark Earth)

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NEW PRODUCT RENDERINGS



CAV-15MK 4
Lower Receiver

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NEW PRODUCT RENDERINGS



CAV-15 MK III
(Coyote Tan)

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WHAT WOULD STONER DO WWSD RIFLE

In 2017 the GWACS Armory CAV-15 became nationally recognized as Best in Breed component by InRange.tv for the WWSD.

- **Eugene Morrison Stoner** -American firearms designer who is most associated with the development of the AR-15 rifle that was adopted by the US military as the M16
- InRange's Karl and Ian have created the ultimate light weight AR that Mr. Stoner would build if he had access to all of the modern components available
- InRange TV has over 150,000 subscribers

WWSD CARBINE OFFICIAL COMPONENTS INRANGE.TV/WWSD-CARBINE-OFFICIAL-COMPONENTS/

- **UPPER RECEIVER:**

Aero Precision Upper without forward assist – \$100
 Geissele Super Charging Handle – \$90
 Faxon Barrel Perm Flash Hider, 14.5" PENCIL, 5.56 NATO – \$260
 MWI Low Profile Gas .625 block – \$40
 MidLength Gas Tube – \$16
 Faxon 13" Carbon Fiber Handguards – M-LOK – \$340
 Bolt Carrier Group – \$145
 Holosun H503C Circle Dot RDS – \$200
 UPPER TOTAL: \$1191 (approximately)

- **LOWER RECEIVER:**

GWACS Polymer Lower – \$129

KE Arms SLT1 – \$200
 KE Arms Safety – \$35
 JP Silent Capture Spring – \$130
 Norgon Ambi Mag Release – \$90
 PDQ Lever – \$60
 (You will need some springs and bits from a traditional Lower Parts Kit to complete the build).

LOWER TOTAL: \$650 (approximately)

- **APPROXIMATE TOTAL:**
\$1850



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